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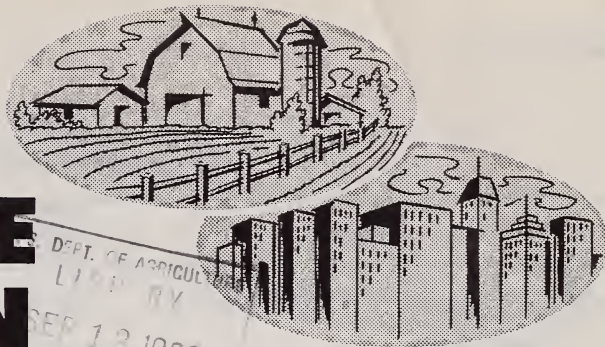
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# DEMAND AND PRICE SITUATION



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AUGUST 1962

## COMMODITY HIGHLIGHTS

## GENERAL AGRICULTURAL SITUATION

## FACTORS AFFECTING DEMAND FOR FARM PRODUCTS

## CURRENT COMMODITY SITUATION

## U. S. BALANCE OF PAYMENTS

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U. S. DEPARTMENT OF  
AGRICULTURE

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1961		1962			
		Year	July	Apr.	May	June	July
Industrial production, seasonally adj. <u>1/</u>	1957=100	109	112	117	118	118	119
Final products	do.	112	114	119	120	121	122
Consumer goods	do.	116	120	123	124	124	125
Autos	do.	97	110	119	126	115	127
Equipment, including defense	do.	104	104	112	113	114	116
Materials	do.	106	110	115	115	115	116
Construction: <u>2/ 3/</u>							
Total outlays	Mil. dol.	57,399	57,039	58,315	60,748	62,474	61,655
Public construction	Mil. dol.	17,034	15,863	16,568	17,276	17,799	16,914
Private residential	Mil. dol.	22,499	23,118	23,484	25,018	25,977	25,747
Housing starts, private only	Thousands	1,304	1,343	1,542	1,579	1,415	1,407
Manufacturers' sales and inventories: <u>2/</u>							
Total sales, seasonally adjusted	Mil. dol.	30,730	31,110	33,480	33,500	33,040	
Durable goods	Mil. dol.	14,540	14,780	16,400	16,400	15,920	
Unfilled orders-sales ratio <u>4/</u>		3.10	2.95	2.78	2.72	2.78	
Inventory-sales ratio, total <u>5/</u>		1.80	1.72	1.69	1.70	1.72	
Durable goods		2.16	2.05	1.98	1.99	2.04	
Employment and wages: <u>6/</u>							
Total civilian employment	Millions	66.8	68.5	66.8	68.2	69.5	69.6
Nonagricultural	do.	61.3	62.0	61.9	62.8	63.2	63.5
Unemployment	do.	4.8	5.1	3.9	3.7	4.5	4.0
Workweek in manufacturing	Hours	39.8	40.0	40.4	40.5	40.7	40.4
Hourly earnings in manufacturing	Dollars	2.32	2.33	2.39	2.39	2.39	2.39
Income and spending:							
Personal income <u>2/ 3/</u>	Bil. dol.	416.4	420.1	438.3	439.7	440.7	442.0
Consumer credit outstanding <u>1/</u>	Mil. dol.	57,139	54,505	56,650	57,593	58,277	
Automobile	Mil. dol.	16,960	17,063	17,343	17,683	18,033	
Total retail sales, seasonally adj. <u>2/</u>	Mil. dol.	18,234	18,017	19,614	19,432	19,096	19,451
Durable goods	Mil. dol.	5,608	5,496	6,334	6,169	6,019	6,305
Inventory-sales ratio <u>5/</u>		1.47	1.46	1.39	1.37	1.38	
Prices: <u>6/</u>							
Wholesale prices, all commodities	1947-49=100	100	100	100	100	100	
Commodities other than farm and food	do.	101	101	101	101	101	
Farm products	do.	96	95	97	96	95	
Foods processed	do.	101	100	100	100	100	
Consumer price index, all items	do.	104	104	105	105	105	105
Food	do.	103	103	103	103	103	104
Prices received by farmers <u>7/</u>	1910-14=100	240	235	242	242	239	240
Crops	do.	226	229	236	243	236	231
Livestock and products	do.	251	241	246	242	242	248
Prices paid, interest, taxes and wage rates <u>7/</u>	1910-14=100	301	300	306	306	305	305
Family living items	do.	291	291	294	296	294	294
Production items	do.	266	264	270	269	268	268
Parity ratio <u>7/</u>		80	78	79	79	78	79
Farm income and marketings: <u>7/</u>							
Volume of farm marketings	1947-49=100	136	132	98	110	114	126
Cash receipts from farm marketings	Mil. dol.	35,243	2,743	2,183	2,365	2,407	2,700

Annual data for most of the items for years 1929, 1939, 1941 and 1947-60 appear on Page 41 of the April issue of The Demand and Price Situation.

1/ Federal Reserve Board. 2/ U. S. Department of Commerce. 3/ Seasonally adjusted annual rates.  
4/ Unfilled orders for durables divided by monthly deliveries. 5/ Inventories, book value, end of month, divided by sales. 6/ U. S. Department of Labor. 7/ U. S. Department of Agriculture.



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 T H E D E M A N D A N D P R I C E S I T U A T I O N  
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Approved by the Outlook and Situation Board, August 16, 1962

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SUMMARY

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Cash receipts from farm marketings in January-July were \$17.4 billion, up 1 percent from the first 7 months of 1961. Crop receipts accounted for nearly all of the increase. July receipts for livestock were up nearly 5 percent from a year earlier but crops were down, and July cash receipts for all farm marketings were down more than 1 percent from a year earlier.

Consumer food expenditures were 3 to 4 percent more than for the first half of 1961, as the trend continued for consumers to use higher priced foods and foods with more packaging and services. The farm value of the foods was apparently about the same as for the first half of 1961. Per capita food consumption was about the same in the two periods.

Indications are for 1962 farm output to be down 1 percent from 1961. Crop production is expected to decrease and livestock production to remain about at last year's level. Average livestock prices increased 2.5 percent from June to July but crop prices were lower. The index of prices received for all farm products rose 1 point. The index was 5 points above the year-earlier level.

Most of the economic indicators used to measure the current health of the economy rose a little further in July and continued at levels well above a year earlier. Many indicators of future changes in economic activity were down, due in large part to strike hedging operations in the steel industry. Second quarter figures indicate continued growth in the general economy as the seasonally adjusted Gross National Product rose more than 1 percent from the first quarter to a level 7.6 percent above the second quarter a year earlier. Current indications of continued rise from June to July included a decrease in the unemployment rate from 5.5 to 5.3 percent, a 1 percent increase in industrial production, and a 2 percent increase in retail sales. Changes from June to July in indicators which generally lead trends in economic activity included a 1 percent decrease in construction outlays, a 2 percent decrease in new orders received by factories and the third monthly decline in a row in the average length of workweek.

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## COMMODITY HIGHLIGHTS

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Meat production is expected to total 1 percent more in 1962 than in 1961. The July index of prices received by farmers for meat animals was 310 percent of the 1910-14 average, up 21 points from a year earlier.

Cattle feeding is at a record level for summer. While third-quarter marketings of fed cattle will be about the same as a year earlier, final-quarter marketings are expected to increase. Cow slaughter through summer and fall is expected to exceed that of a year earlier. The cattle and calf inventories are expected to increase as they did last year.

Hog marketings through summer will be at year-earlier levels but marketings this fall will be less than in the fall of 1961. The fall pig crop is expected to be 2 percent above 1961, but the yearly pig crop will be 1 percent below.

Sheep and lamb marketings in the second half of 1962 will be off more than the estimated 4 percent reduction in the 1962 lamb crop.

June and July milk production was below 1961 levels, but total milk production for 1962 appears likely to fall between 126 and 127 billion pounds compared with 125.5 billion pounds in 1961. Indications from January-June data are that commercial demand for dairy products may be lower in 1962 than in 1961. In the first half of 1962, milk used in manufactured dairy products moving into commercial outlets was 3 percent lower than a year earlier.

Egg production in July was down seasonally from June but remained 3 percent above July 1961. The Nation's laying flock was 1 percent larger on August 1 than a year ago, and the number of eggs produced per hen continued to increase. July egg prices were up 1.3 cents from June but were down 4.7 cents from a year earlier and prices are expected to remain below 1961 prices for most of the remaining months of 1962.



Broiler production in July-September is expected to be about 3 percent less than in the third quarter of 1961. While broiler prices in September may be below August levels, they will likely remain above September 1961 prices. Broiler prices in mid-July were 0.5 cent above mid-June and 2.4 cents above July 1961.

Raw wool stocks in the U.S. were low at the closing of the 1961-62 marketing season, consumption was at record levels, and wool prices were firm in August. Shorn wool prices will decline moderately during the remaining months of 1962 as mill demand for wool eases. Shorn wool production for 1962 is estimated at 5 percent below 1961 due to declines in sheep numbers and average fleece weights.

Wheat supplies for the marketing year beginning July 1 were 11 percent below last year's supply as the wheat carryover and production decreased. Wheat prices for the 1962-63 marketing year may average above the effective price support level as in the previous year.

Feed grain supplies for 1962-63 are expected to be 6 percent below 1961-62 and 9 percent below the 1960-61 record. The 1962 crop is expected to be about the same as in 1961, but the carryover into 1962-63 is expected to be 14 percent less than a year earlier. July 15 prices received for feed grains were below a month and a year earlier.

Supplies of edible fats, oils, and oilseeds during the 1962-63 marketing year, beginning October 1, are expected to pass the 1961-62 peak by nearly 6 percent. Starting stocks will be up 5 percent, mostly due to an increase in soybeans. Output of cottonseed oil will be up slightly. Lard and butter production will remain about at year-earlier levels. Soybean supplies will reach a new high. Soybean prices last October-December averaged \$2.26 per bushel, 4 cents below the support rate. Prices to growers are expected to average somewhat below the \$2.25 support rate during the first quarter of the new marketing year.

Total supplies of deciduous fruits available for fresh market shipment during late summer will be about as large as a year earlier, those of fresh citrus will be lighter. Prices of all fruit declined more than seasonally from June to July and averaged 20 percent less than fruit prices in July 1961.

Supplies of fresh vegetables will be seasonally heavy through late summer and about the same as a year earlier. Supplies of canned and frozen vegetables in the 1962-63 season are expected to be a little larger than in 1961-62. Carryover into the new season and production for processing are both larger than they were a year earlier.

The cotton carryover on August 1 was 7.7 million bales compared with 7.2 million a year ago and with the record high of 14.5 million in 1956. Disappearance of cotton in the 1962-63 marketing year, which began August 1, is expected to be near the average disappearance of the past 6 years. The

average price of all cotton in July was about the same as in June and 3 percent above a year earlier. The 1962 cotton crop has been estimated at 15 million running bales, 5 percent above the 1961 crop.

Flue-cured tobacco marketings began July 26 in Georgia-Florida and August in some other belts. Through mid-August, flue-cured marketed in untied form averaged 56.5 cents per pound, 3.2 cents below the average for untied tobacco a year ago; tobacco in tied form averaged 60.8 cents, about 3.5 cents below a year ago.

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GENERAL AGRICULTURE SITUATION

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Cash receipts from all farm marketings during January-July were \$17.4 billion, up 1 percent from a year earlier. The 1962 farm output is likely to be down 1 percent from 1961. While livestock production is expected to be about the same as for 1961, crop production is expected to be less. The July Index of Prices Received by Farmers was 2 percent above July 1961. Prices for livestock increased and crop prices decreased from June to July. Unit costs of autos and motor vehicles decreased from June to July, but there was no change in the overall Index of Prices Paid by Farmers including Interest, Taxes, and Wage Rates. The parity ratio rose one point to 79.

Food Expenditures Up More Than  
3 Percent in First Half

Consumer expenditures for food in January-June, 1962, apparently were up 3 to 4 percent from the first half of 1961. Increased purchases of higher priced foods and foods with more services and packaging indicated that the marketing bill continued to rise. While consumer expenditures for food were up, the farm value of the food was apparently about the same as for the first half of 1961. Per capita food consumption so far this year was about the same as a year earlier. Unit prices at retail are also about the same.

Farm Income Shows Gain

Cash receipts from farm marketings through July this year show a gain of about 1 percent over January-July 1961. Receipts from livestock and products were about the same as a year ago with somewhat lower prices offsetting an increase in marketings. Receipts from crops were up about 2 percent from the first 7 months of 1961, as a 3 percent gain in prices more than offset a small drop in marketings. For individual commodities, the most noticeable increases in cash returns from marketings through July this year were for cotton, cattle and calves, corn, and soybeans; on the other hand, sharp drops were estimated for wheat, eggs, and oranges.



Tentative estimates place cash receipts from farm marketings in July 1962 at \$2.7 billion, down about 1.5 percent from July 1961. Receipts from livestock and livestock products were \$1.5 billion, up about 5 percent due mainly to larger receipts from meat animals. Receipts from crop marketings, at \$1.2 billion this July, were off about 8 percent from July 1961, with an estimated drop in receipts from winter wheat marketings mainly accounting for the drop.

Farmers' Personal Incomes  
Rose in 1961

The personal income of the farm population from all sources was \$1,373 per person in 1961, or about 59 percent of the average per nonfarm person. The per capita income of farm people included \$899 from farm sources and \$474 from nonfarm sources.

The \$899 from farm sources was an increase of \$108 from 1960. This increase per person was the result of a rise of \$940 million in the total personal income and of a reduction of 832,000 in the farm population.

The \$474 per farm person from nonfarm sources was an increase of only \$10 from 1960. The decrease in total personal income of the farm population from nonfarm sources was down about \$230 million, about in proportion to the decline in the number of people living on farms.

Farm Output Below 1961  
Level Expected

Indications are that total farm output will be 1 percent less in 1962 than it was in 1961. All livestock production is expected to be about the same as a year earlier, with poultry and egg production decreasing and dairy production increasing. All crops production, based on the August 1 Crop Report, is expected to decrease from 106 to 105 percent of its 1957-59 average, with food grains showing the greatest percentage decline. Crops expected to increase production levels over last year include cotton, tobacco, sugar, and oil crops.

If the expected decrease in farm output materializes, total farm production will return to the 1960 level. The composition of output will be different than it was in 1960, however. There will be 5 percent more livestock and 3 percent less crops. (See the table on next page.)

Prices Received Index Up  
Fractionally from June to July

The Index of Prices Received by Farmers advanced fractionally from mid-June to mid-July to 240 percent of its 1910-14 average. The monthly advance amounted to less than 0.5 percent. The index stood a little more than 2 percent above the July 1961 figure. Prices received for livestock and products were up by 2.5 percent from June to July, but crop prices were partially offsetting as they fell about 2 percent.

Table 2.--Farm Production: Index numbers of total farm output, gross production of livestock and crops, and related indexes, United States 1/

(1957-59=100)					
Item	1949-51	1959	1960	1961	Preliminary 1962 <u>2/</u>
Farm Output	87	103	106	107	106
All livestock and livestock products <u>3/</u>	88	104	102	107	107
Meat animals	89	106	103	107	107
Dairy products	93	99	101	103	104
Poultry and eggs	78	104	104	112	110
All crops <u>4/</u>	91	103	108	106	105
Feed grains	79	106	109	99	99
Hay and forage	88	97	103	102	100
Food grains	88	97	115	106	95
Vegetables	93	100	103	109	104
Sugar crops	81	106	102	115	123
Cotton	112	118	116	116	122
Tobacco	122	104	112	119	123
Oil crops	66	98	105	124	126

1/ For historical data and explanation of indexes, see, "Changes in Farm Production and Efficiency," USDA Statistical Bulletin No. 233.

2/ Preliminary indexes for 1962 based on August, 1962, "Crop Production" report and other releases of the Crop Reporting Board, SRS.

3/ Gross livestock production includes minor livestock products not included in the separate groups shown. It cannot be added to gross crop production to compute farm output.

4/ Gross crop production includes fruits and nuts and some miscellaneous crops not in the separate groups shown. It cannot be added to gross livestock production to compute farm output.

Prepared jointly by Economic Research Service and Statistical Reporting Service, U.S. Department of Agriculture.

Livestock prices increased somewhat during July as most of the major components of the livestock and products index rose during the month. Meat animal prices were up in response to higher prices for hogs and beef cattle. The dairy products price index increased 4 percent from June to July. This was less than the usual increase. Higher average prices for eggs, broilers, and turkeys led to a 4 percent increase in the poultry and egg price index. On the other hand, wool prices in July were slightly lower than in the preceding month.

Crop prices received by farmers as of mid-July were off for the second consecutive month. However, crop prices were fractionally higher than the year-earlier level. Much of the price decline from June to July can be attributed to a seasonal increase in new crop supplies.

Almost all of the major components of the mid-July crop price index averaged around month-earlier levels. Food and feed grains, cotton, and oil-bearing crops all showed little change from mid-June. Fruits and commercial vegetables exhibited sharp price decreases. These declines occurred for commodities for the fresh market and for processing. Fruit prices this July were 20 percent below the July 1961 level while vegetable prices were down 4 percent. Prices of fresh market fruits and commercial vegetables other than potatoes were down 7 and 14 percent, respectively, from a month ago.

Parity Index Unchanged  
in Mid-July

The Index of Prices Paid by Farmers for Commodities and Services, including Interest, Taxes, and Farm Wage Rates in mid-July was the same as a month before--305 percent of the 1910-14 base. This was fractionally below the record April peak of 306 but 2 percent higher than in July a year ago. All major components of the mid-July prices paid index showed no change from the June figure, as both the family living items and production items indexes held steady. The relative stability in prices paid by farmers parallels the price stability in the general economy.

As a result of the small rise in prices received and the unchanged level of prices paid, the parity ratio in mid-July was 79, 1 point above a month earlier and within the narrow range of fluctuations in the past year. The July 1961 parity ratio was 78.

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FACTORS AFFECTING DEMAND  
FOR FARM PRODUCTS

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Most of the economic indicators used to measure the current health of the economy appeared strong in July, but many of the lead indicators of trends in economic activity were down. The level of business activity for the first half of 1962 was above a year earlier indicating continued recovery from the 1960 business recession. The Gross National Product for the second quarter of 1962 was \$552.0 billion, seasonally adjusted annual rate, up 7.6 percent from a year earlier. This is compared with an 8.8 percent rise in GNP from the first quarter of 1961 to the first quarter of 1962. In terms of 1961 dollars, the second quarter was 6.1 percent above a year earlier.



Table 1.--Agricultural prices, marketings and income, quarterly,  
1961 to date

Item	Unit	1961				1962			
		Year	I	II	III	IV	I	II	
Prices received by farmers									
Crops	1910-14=100	240	243	237	239	240	243	241	
Livestock	1910-14=100	226	221	230	229	225	228	238	
	1910-14=100	251	261	242	248	252	256	243	
Prices paid, interest, taxes, and wage rates									
Family living items	1910-14=100	301	302	301	301	301	305	306	
Production items	1910-14=100	291	291	291	290	291	294	295	
	1910-14=100	266	268	266	265	266	268	269	
Parity ratio		80	80	78	79	79	80	79	
Volume of farm marketings									
Crops	1947-49=100	136	116	109	142	178	119	109	
Livestock	1947-49=100	131	98	68	146	212	106	68	
	1947-49=100	140	130	140	138	153	129	139	
Cash receipts from farm marketings <sup>1/</sup>									
Crops	Bil. dol.	35.2	7.6	6.9	9.1	11.7	7.8	7.0	
Livestock	Bil. dol.	15.8	2.8	2.2	4.4	6.4	3.1	2.3	
	Bil. dol.	19.4	4.8	4.7	4.7	5.3	4.7	4.7	
Farmers' realized net income <sup>2/</sup>	Bil. dol.	12.8	12.5	12.4	12.9	13.5	12.8	12.7	

<sup>1/</sup> Seasonally adjusted annual rates are: 1961--\$35.2 billion; \$35.5 billion (I); \$34.5 billion (II); \$35.2 billion (III); \$35.8 billion (IV); and 1962--\$35.4 billion (I) \$35.3 billion (II).

<sup>2/</sup> Seasonally adjusted annual rates.

Current Indicators  
Continue Rise

Among the current business indicators which were improving in June and July were the rate of unemployment, industrial production, personal income, and retail sales. The seasonally adjusted unemployment rate was down from 5.5 percent of the labor force in June to 5.3 percent in July, reflecting a slight increase of 25,000 persons in employment and an unexpected reduction of 419,000 persons in the labor force. The labor force has decreased slightly in the past year, following a 5 year period for which the annual growth rate was about 1.4 percent.

Industrial production in July was at 118.7 percent of its 1957 level, seasonally adjusted, up from 117.9 in June and up 6 percent from a year earlier. Increases in production came largely from the auto industry, which experienced a strike shutdown in June and a cutback in August for model changeovers. July auto assemblies were the largest for the month since 1955. There were further gains in output of industrial, commercial and farm machinery as well as freight and passenger equipment. Modest gains were widely distributed among the industrial sectors but there were declines in output of radio, television and furniture.

Total personal income was up in July to an annual rate of \$442 billion. This was \$1.3 billion above June and 5 percent above July 1961. Most of the June to July increase was in wages and salaries. Factory payrolls were off a little as employment and hours worked per week moved down. Agricultural income was unchanged from June to July. Personal income for January-July was nearly 6 percent above the first 7 months of 1961.

Retail sales in July were above the May and June levels but below the April peak. Most of the increase from June was because of a 5 percent increase in sales of durable goods, notably automotive. Sales of nondurable goods increased about 1 percent.

Indicators of Future  
Conditions Show Uncertainty

Some business indicators whose movements generally lead changes in general business conditions were pointing downward in June and July. Included were construction, housing starts, new orders, inventories, and the average length of workweek. The decreases were due in large part to strike hedging operations in the steel industry.

Total new construction in July was down 1.3 percent from the record June level. Outlays were above the May rate and 8 percent above the July 1961 level. Private construction increased by an annual rate of \$66 million in July, while public construction decreased by an annual rate of \$88.5 million. In the public category, there were notable drops in nonresidential building, military facilities, highways, and conservation programs.

New orders received by factories in June were at the lowest (seasonally adjusted) level since last August and 2 percent below May. New orders have declined every month from February through June. Most of the drop was in new

orders for durable goods. A decline in orders for new machinery and equipment in the past has usually led a reduction in business expansion. Purchasing commitments for capital goods and supplies also are moving downward, and buyers report that they are getting faster service on deliveries from suppliers.

Housing starts, which have been rising sharply in recent months, were down in June. Because the volume of building permits was up in June, housing starts may increase again later. Inventories held by manufacturing and trade firms increased \$330 million, seasonally adjusted, from the end of May to the end of June, as industrial output increased and manufacturers' sales declined more than seasonally. The June increase in stocks was shared about equally by manufacturers, wholesale firms, and retailers. The increase in manufacturers' stocks was entirely in nondurables, as durable stocks declined fractionally.

The average hours worked per week in all manufacturing industries has been declining on a seasonally adjusted basis since the April high of 40.8 hours and averaged 40.4 hours in July. The July workweek averaged 6 minutes less than in June and 24 minutes less than in April. In virtually all industries, adjustments in the workweek usually take place prior to adjustments in employment; past experience indicates that the average workweek adjustment is about 4 months earlier.

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U. S. BALANCE OF PAYMENTS 1954-61
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The U. S. balance of payments showed a deficit every year during 1950-61, with the exception of 1957 when there was a small surplus. The balance of trade remained favorable during this period but has not been sufficiently large to offset military expenditures, economic grants, and the net outflow of capital.

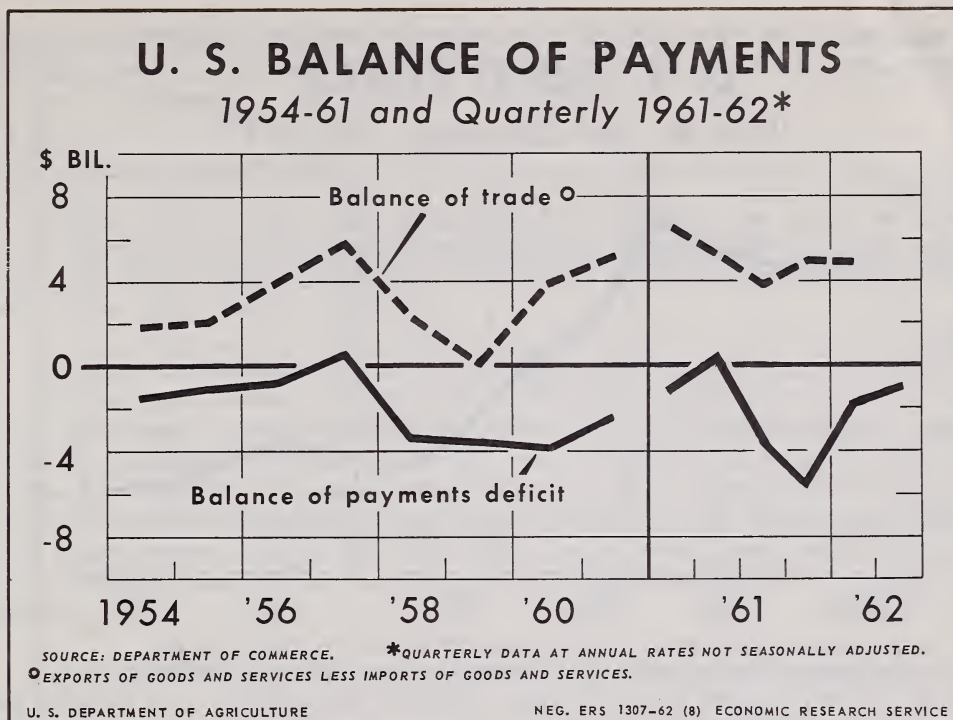
Balance on Goods and  
Services Positive

The United States exported more goods and services than it imported each year from 1954 through 1961, although in 1959 the balance of trade was very small. The surplus on goods and services reached \$5.1 billion in 1961, nearly equal to the 1957 peak of \$5.7 billion. Merchandise exports were at a record high in 1960 and again in 1961; exports to Western Europe rose by 2 percent while exports to both Canada and Latin America dropped by 2 percent between 1960 and 1961. Military expenditures have been at an annual average of around \$3 billion in each year since 1956.

Capital Flowing Out

The large outflow of private and government capital, both long-term and short-term, from 1954 through 1961 was a factor contributing to the overall





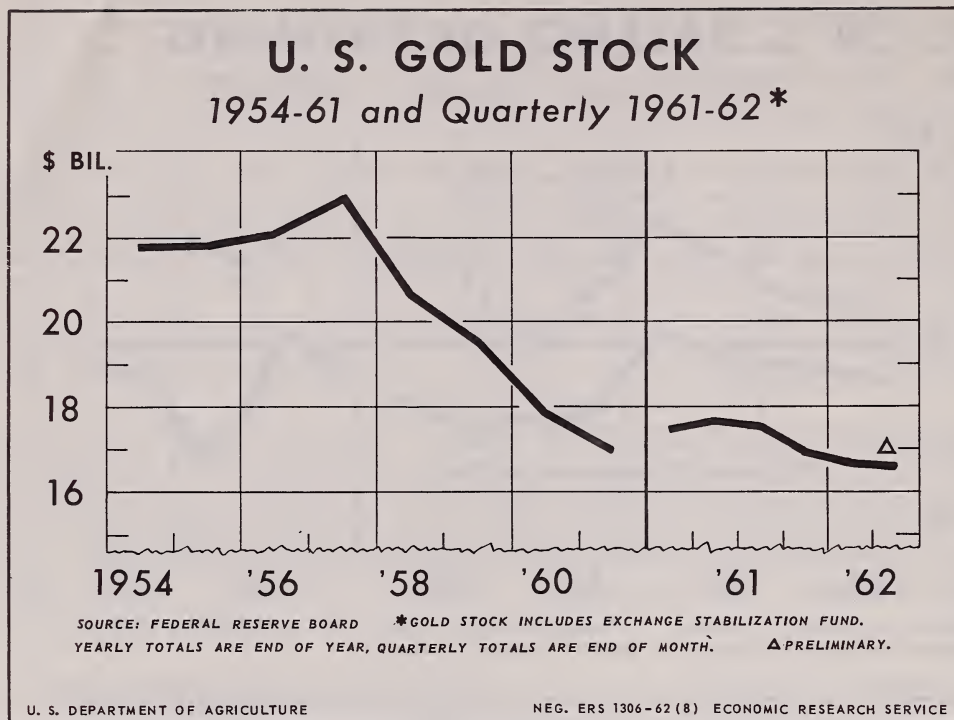
balance of payments deficit. Net foreign long-term capital invested in the United States fluctuated considerably during this period but in every year was smaller than the outflow.

Net Government capital outlays have averaged over \$1 billion annually during the 1951-61 decade with the later years generally above the average and earlier years below. This increase reflects the growing international commitments of the United States, particularly in aid to underdeveloped countries. Outlays were \$2,200 million in 1961.

The greater part of the increase in total capital outflow represented private capital invested abroad. Private outlays have fluctuated during 1954-61, but trended upward to nearly \$4 billion in 1961. The private share of total U. S. capital outlays was over 60 percent in 1961. The increase in private investment was primarily portfolio investment, both long-term and short-term. The rise in American short-term investments abroad was encouraged by higher interest rates and equity gains opportunities resulting from the economic boom in almost all Western European countries.

### Gold Stocks Decline

Deficits in the U. S. Balance of payments since 1954 have resulted in sizable increases in the official foreign holdings of gold and short-term dollar claims against the United States. In 1958-61, exceptionally large deficits led to accelerated gold losses attributable in part to the conversion to gold of some of the dollar claims previously held. The U.S. gold stock declined



from \$21,793 million in 1954 to \$16,947 million at the end of 1961. The loss between 1958 and the end of 1961 was \$3.6 billion.

#### Recent Developments

The improvement in the balance of payments for calendar 1961 over 1960 stemmed in large part from unusual receipts early in the year. Primarily as a result of advanced repayment to the U. S. Government of foreign loans totaling \$774 million, the balance of payments showed a surplus of \$89 million in the second quarter of 1961. Deficits in the balance of payments reappeared in subsequent quarters, but the trade balance remained in surplus throughout the year. For the year, the deficit totaled \$2.5 billion.

There was improvement in the first quarter of 1962, the overall deficit declining to \$1.9 billion at an annual rate. The improvement resulted from reduced capital outflows, both private and public, which more than offset a slight reduction of the surplus in the balance of trade. Foreign investment in the United States, while still of modest proportions, doubled in the first quarter over the preceding quarter. The gold stock continued to decline in the first quarter.

The balance of payments deficit declined further in the second quarter of 1962 to an annual rate of about \$1 billion. The improvement was due partly to an increase in the balance of trade, as exports continued to grow faster than imports. The international payments situation was improved also by a decline in the net outflow of private capital, particularly to Canada. Balance of payments difficulties encountered by Canada discouraged the flow of funds going to that country. However, the Canadian government has sub-

sequently undertaken measures to restore confidence in the Canadian dollar (after devaluation against the U. S. dollar in May) and to encourage foreign investment in Canada.

### Contribution of Agriculture

In the fiscal year that ended June 30, 1962, the value of agricultural exports reached an all-time high of \$5,130 million, \$184 million above the previous record of \$4,946 million in 1960-61. The volume of exports was 2 percent above last year's record.

Nearly 70 percent of the U. S. agricultural exports in fiscal 1962 were sales for dollars; these totaled \$3.5 billion, compared with \$3.4 billion in the previous year. A substantial part of dollar sales included shipments with Government assistance in the form of: (1) Credits for relatively short periods; (2) sales of Government-owned commodities at less than domestic prices; and (3) export payments-in-cash or payments-in-kind. The remaining 30 percent of exports moved under Public Law 480 (The Trade Development and Assistance Act of 1954, as Amended) and Public Law 665 (the Mutual Security Act of 1954, as Amended).

Agricultural exports, as a percent of total U. S. exports, rose in the period 1954-1961. In fiscal 1953-54, agricultural exports were 19 percent of total exports; by 1960-61 agricultural exports had increased to 25 percent.

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### CURRENT COMMODITY SITUATION

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### LIVESTOCK AND LIVESTOCK PRODUCTS

#### Meat Animals

Supported by stronger demand, meat animal prices at midyear generally were above a year ago. The index of prices received by farmers for meat animals in July was 310 (1910-14=100), up 21 points from last July and 6 points above January.

This year's calf crop is expected to be 2 percent larger than in 1961 but most of the crop will be retained on farms. The cattle and calf inventory is expected to increase again this year--probably about the same as last year's gain. The 1962 lamb crop is forecast at 20.4 million head, down 4 percent from last year. The pig crop this year will be 1 percent smaller than in 1961, if producers carry out current farrowing plans.

Relatively stable fed cattle prices seem probable through the rest of the summer. Some moderate declines are expected in the fall, with prices



probably falling below those a year earlier by the end of the year. Third-quarter marketings of fed cattle will be about the same, but marketings in the fourth quarter will be larger than a year earlier.

Feeder cattle and calf prices may ease downward slightly during the rest of the year. Cow slaughter this summer and fall is expected to exceed that of a year before, and prices will decline seasonally. A significant decline in cow prices would put additional downward pressure on prices of feeder cattle and the lower grades of slaughter cattle.

Feeder cattle and feed costs were generally higher in the 1961-62 feeding season than a year earlier, but improved prices for fat cattle resulted in higher average net returns. Prospects for profits in the coming feeding season are below last year but about average for the last 8 years. Prices for feeder cattle this fall probably will be close to those last fall, although feed prices likely will be a little higher. Cattle feeding on July 1 was at a record level for the date, however, and feeders are operating under the possibility of price weaknesses due to heavier marketings.

Hog marketings throughout this summer probably will be near year-ago levels, but during the seasonally heavy slaughtering period this fall marketings will fall a little short of last fall. Prices will average slightly above a year earlier this fall. However, this winter prices likely will drop moderately below last winter--if producers carry out their plans for 2 percent more farrowings for this fall's crop.

Marketings of sheep and lambs in the second half of this year probably will be off somewhat more than the estimated 4 percent smaller 1962 lamb crop would indicate. The average price paid to producers for lambs in mid-July was \$19.10 per 100 pounds, \$3.10 above July 1961. Lamb prices probably will continue to decline seasonally through summer but remain significantly above last year through the rest of 1962.

Production of all red meat in 1962 is currently expected to total about 28.9 billion pounds or slightly over 1 percent more than in 1961. Prospective increases are divided about equally between beef and pork. This increase in output, with imports about equal to a year earlier, probably will hold consumption very near last year's rate of 161 pounds per person.

### Dairy Products

Milk production in July was 10,977 million pounds, 0.7 percent below a year earlier. This was the second month in a row with milk production below a year earlier. The decline from a year earlier reflects the 0.7 percent decline in June milk cow numbers from 1961 and the lowest rate of annual increase in milk production per cow that has occurred since 1952. Present indications are that milk production in 1962 will be between 126 and 127 billion pounds, substantially above last year's 125.5 billion pounds but 0.5 to 1.0 billion pounds lower than expected earlier.

In the first half of 1962, about 66.7 billion pounds of milk were produced, of which about 65.5 billion were used for human food. About 34.8 billion pounds were used to produce manufactured dairy products. The balance, 30.7 billion pounds, was used for fluid purposes and was slightly under a year earlier. Consumption of fluid products from commercial sources showed a slight increase, but use of fluid products on farms where milk was produced decreased.

An estimate of the amount of manufactured dairy products taken by commercial outlets, excluding imports, can be made by subtracting from the 34.8 billion pounds of milk manufactured in January-June, the 0.5 billion pounds of milk used for farm butter, the 0.6 billion pounds of milk equivalent increase in commercial stocks from December 31 to June 30, and the 8.1 billion pounds of milk equivalent bought by CCC. The resultant estimate, 25.6 billion pounds, is about 3 percent lower than the figure for January-June 1961.

Commercial domestic disappearance in the first half of 1962 was estimated to be above a year earlier 34 percent for dry whole milk, and 1.2 percent for ice cream. Commercial domestic disappearance fell 1.3 percent for butter, 4.2 percent for cheese, 5.8 percent for evaporated milk, and 28.2 percent for nonfat dry milk.

These midyear estimates are preliminary. However, they indicate on the average that commercial demand for manufactured dairy products may be lower this year than last.

Total consumption of dairy products through midyear was greater than that indicated by commercial disappearance, because substantial quantities of butter, cheese, and nonfat dry milk were distributed free from USDA stocks through welfare and school lunch programs. When these donations are added to commercial demand for butter, cheese, and nonfat dry milk, indications are that total butter consumption was up about 4 percent in the first half of 1962 and cheese consumption up 5 percent from the first half of 1961, while nonfat dry milk was down about 22 percent.

Prices received by farmers for milk sold to plants and dealers increased about seasonally from \$3.71 in June to \$3.86 in July. Increases were greatest in the New England and the Middle Atlantic areas, amounting to 62 cents and 40 cents. Dry weather in these areas has reduced milk production and resulted in the use of a higher proportion of milk for fluid purposes. In other areas, the increase ranged from 3 cents in the Western region to 8 cents in the West North Central region.

The index of retail prices of dairy products in large cities declined seasonally 0.3 points from May to June, with minor price declines for most products. Ice cream prices fell more than seasonally from 86.2 to 85.5 cents per half gallon.

In July, CCC purchases of butter were 37 million pounds, cheese delivered to CCC was 18 million pounds, and nonfat dry milk deliveries, 131 million pounds. Total CCC purchases for January through July were about 9 billion pounds of milk equivalent compared with the 8 billion pounds bought in all of 1961.



Poultry and Eggs

July egg prices to producers, at 29.5 cents per dozen, were up 1.3 cents from a month earlier but were below July 1961 by 4.7 cents. Prices are likely to continue to rise seasonally during the next few months, but probably will remain below a year earlier. A further decline in the demand for eggs appears to be mainly responsible for the lower prices this year.

Egg production declined seasonally in July, but output for the month continued to run 3 percent greater than in July 1961. The gain in production stemmed from a larger and more productive laying flock. On August 1, there were 281 million layers on farms, 1 percent more than a year ago. By the last quarter, however, there likely will be fewer layers on farms than in the same period last year, as a result of a 7 percent reduction from 1961 in the January-June hatch of replacement chicks. However, egg production in the last quarter of 1962 may be fully up to last year's level because of a probable year-to-year gain in the number of eggs produced per layer.

On July 13, USDA ended the dried egg purchase program for school lunches and eligible institutions. Between the beginning of the program on March 22 and its conclusion on July 13, the Government contracted for 13 million pounds of dried egg--the equivalent of 2 percent of the total eggs produced during this period, about the same percentage as a year ago.

Broiler output in the third quarter may be down by about 3 percent from the third quarter of 1961. The decline in broiler production is indicated by slaughter to date and by the number of broiler chicks now growing.

Producers received an average of 14.8 cents per pound for broilers in July, 0.5 cent higher than in June and 2.4 cents above a year ago. The higher prices largely reflect the decline in production plus the strong export demand that continued into July. In early August, broiler prices in the important Southern producing States were about 14.5 cents per pound, 0.5 cent above the mid-July level.

Broiler prices are likely to decline from early August level in September-October but probably will remain higher than in 1961. The decline in prices is expected due to a seasonal slackening in consumer demand and a possible cutback in exports. Poultry exports fell off sharply from a temporarily increased level after mid-July because of new trade regulations put into effect by Common Market countries.

On August 3, USDA began to buy frozen cut-up young chickens for distribution to schools participating in the National School Lunch Program. In the first 2 weeks of the program the department purchased 4.9 million pounds of chicken. The Government announced intentions to buy more chickens during the 1962-63 school year than the 45 million pounds purchased in 1961. Last year, between March 1 and December 7, USDA contracted for approximately 1 percent of the broilers produced.



Turkey growers received an average price of 20.8 cents per pound for their birds in mid-July, up 0.7 cent from mid-June and 1.3 cents from a year earlier. By early August, local market prices in 3 major producing areas had declined about 0.5 to 1 cent from prices in mid-July.

During the main marketing season, September-December, turkey prices paid to farmers are likely to average moderately above the depressed 18 cents average for this period last year. A prospective 12 percent reduction in per capita turkey supplies during September-December probably should keep prices above 1961 at both farm and retail levels.

### Wool

Dominant factors in the world wool industry at the closing of the 1961-62 marketing season: Raw wool stocks were relatively low in both the producing and consuming countries; consumption was at record levels and continuing strong; mill activity and production of wool textile products in most of the major manufacturing countries were increasing moderately; wool production also was close to record high levels; and wool prices were relatively stable.

As the 1962-63 marketing season opened in late August, world wool prices were expected to be relatively firm at levels comparable to those at the close of the 1961-62 marketing season. Prices can be expected to be relatively stable during the first half of the 1962-63 marketing season. The key factor in the relatively encouraging outlook is whether firm mill activity will be continued in such countries as Japan, the United Kingdom, and Western Europe.

The domestic wool industry during the first half of 1962 experienced a substantial rise in apparel wool mill use, especially on the worsted system. This increase in mill use has necessitated an increase in imports of raw dutiable wool, as beginning commercial stocks were low and shorn wool production was declining. The strong mill demand also has been reflected in increasing wool prices. In addition, imports of wool textile products have been increasing, particularly those of wool tops, yarns, knit wearing apparel, and carpets and rugs.

However, prices received by U.S. growers for shorn wool can be expected to decline moderately from the May-June level during the remaining months of 1962. This reflects the easing of mill demand for wool because of mills beginning to reduce the backlog of unfilled orders, the buildup in stocks of domestic and foreign wool, and strong price competition from the manmade fibers.

U.S. shorn wool production in 1962 is estimated by the Crop Reporting Board of the USDA's Statistical Reporting Service at 248.8 million pounds, grease basis (112.0 million pounds, clean basis). This is 5 percent less than in 1961 but 3 percent more than the 1951-60 average. The number of sheep shorn or to be shorn in 1962 is set at 29.4 million head, down 4 percent from last year. The expected average fleece weight is 8.47 pounds compared with 8.50 pounds in 1961.

Domestic consumption of wool during the first 5 months of 1962 totaled 240 million pounds, 16 percent more than in the same period of 1961. Apparel wool domestic use was up 18 percent; carpet wool, 10 percent. During the first 5 months, mill use accounted for 183.5 million pounds; the raw wool content of imports of wool products, 58.3 million pounds; and the exports of wool products, 1.8 million pounds.

The raw wool content of imports of wool textile products exceeded that of exports by 56.4 million pounds during the first 5 months of 1962. This is 11 percent more than the import balance for the same period of 1961 but 6 percent less than the record high during the first 5 months of 1960. Imports of wool products increased 10 percent; exports declined 1 percent.

Mill use of apparel wool during the first 6 months of 1962 totaled 146.2 million pounds, scoured basis, 15 percent above the corresponding period a year ago. The worsted system's share of this mill use increased significantly to 60.6 percent of the total from the 55.0 percent share during the first 6 months of 1961. Also, of the apparel wools consumed, the finer grades of wool accounted for a larger proportion than usual. Mill consumption of carpet wool during January-June 1962 totaled 72.3 million pounds, scoured basis, 4 percent more than in the same period of 1961.

Dutiable raw wool imports during the early months of 1962 were the highest since 1956, reflecting the substantial rise in apparel wool mill use, the relatively low commercial stocks, and the declining domestic shorn wool production. During January-June 1962, imports of dutiable raw wool totaled 66.2 million pounds, clean content, 42 percent above the corresponding period a year earlier. During the first 6 months of 1962, imports of duty-free wool amounted to 65.9 million pounds, clean content, 17 percent less than in the same period of 1961.

The 1962-63 world wool production has been preliminarily estimated by the USDA's Foreign Agricultural Service at 5,705 million pounds, grease basis. This is 5 million pounds less than the record high in 1961-62. The preliminary estimate indicates approximately 11 million pounds less production from the 5 major surplus-producing countries of the Southern Hemisphere. FAS estimates Argentine output to be down 20 million pounds and South African down 10 million. Uruguay will be about the same, Australia up 7 million, and New Zealand up 12 million pounds.

## CROPS

### Wheat

The total wheat supply for the marketing year which began July 1, 1962, is now estimated at about 2,373 million bushels, 11 percent below both last year and the record of 2,679 million in 1960-61. The decrease in supply is expected because of reductions in carryover and production.



Production of all wheat was estimated as of August 1, at 1,063 million bushels, 14 percent below last year and 6 percent below the 10-year average, primarily reflecting the 1962 wheat program. The indicated yield of 24.1 bushels per harvested acre is slightly above the 23.9 bushels for the 1961 crop. Lower yields of winter wheat this year were more than compensated for by sharply higher spring wheat yields.

The carryover of wheat on July 1, 1962 totaled 1,304 million bushels, a decline of over 100 million from a year earlier. Imports in 1962-63 may be only about 6 million bushels, the same as last year.

Domestic disappearance for 1962-63 is currently estimated to total about 603 million bushels, about the same as the average disappearance in 1957-61 of 607 million. Assuming exports of 620 million bushels, the carryover on July 1, 1963 would be about 1,150 million bushels. Exports in 1962-63 are expected to be substantially below 717 million bushels exported in 1961-62, due primarily to larger crops in many importing countries.

With the small 1962 crop and anticipated good demand in 1962-63, wheat prices may again average above the effective price support level. In early August, prices of dominant classes at the principal markets were generally close to or above the effective support rates.

#### Feed Grains

The total feed grain supply for 1962-63, now estimated at 213 million tons, is 13 million tons less than in 1961-62 and 18 million tons below the record supply in 1960-61. This would be the second year of declining supplies following the steady increase in supplies during most of the past decade. Feed grain production in 1962, based on August 1 conditions, is estimated at 140 million tons or about the same as production in 1961. The carryover of feed grains into 1962-63 is expected to total around 73 million tons, which would be 12 million tons less than a year earlier. Disappearance of feed grains is expected to reach a record high of 153 million tons in 1961-62, 5 percent above the preceding year and 15 percent above the 1956-60 average. Should total disappearance continue at this high level during the coming year, feed grain stocks would be reduced substantially again at the close of the 1962-63 marketing year.

The 1962 corn crop was estimated August 1 at 3,550 million bushels, 2 percent less than in 1961 and 9 percent below the record crop produced in 1960. The total supply is now estimated at 5,201 million bushels, 432 million less than in 1961-62. Should corn disappearance in 1962-63 continue at the record rate of nearly 4 billion bushels expected for this year, there would be further substantial reduction in carryover stocks at the close of the 1962-63 marketing year.

The 1962-63 sorghum grain supply was estimated at nearly 1.2 billion bushels on the basis of August 1 prospects, practically the same as last year. The oat supply for 1962-63 is now estimated at 1,311 million bushels, 2 percent smaller than in 1961-62, while the estimated barley supply of 561 million bushels is down only 1 percent from a year earlier.



Prices received by farmers for feed grains declined slightly from June to July, with the mid-July index falling slightly below a year earlier. The price of No. 3 Yellow corn at Chicago averaged around \$1.08 per bushel in early August, a decline of about 8 cents per bushel during the past 2 months and 3 cents per bushel below a year earlier. Barley prices declined rather sharply at mid-Western markets in recent months. The price of No. 3 barley at Minneapolis has declined about 35 cents per bushel since last January, and the average price of \$1.10 per bushel in early August was 25 cents below the high level at that time last year. Oat prices also have declined in recent weeks to a little below a year ago.

A continued good demand for high-protein feeds has resulted in prices continuing above last year's level through July and early August, in spite of larger production in 1961-62. The index of wholesale prices for July was 5 percent higher than a year earlier. The price of soybean meal at Decatur averaged \$68.50 per ton in July, \$3.50 higher than a year earlier. Prices of linseed meal, gluten feed, and fish meal also were higher than a year earlier, while cottonseed meal and meat meal prices were a little lower.

Farmers placed a record quantity of 1961 feed grains under price support, totaling 25.3 million tons or slightly above the previous record for the 1960 crops. Sales of feed grains by CCC in 1961-62 will also reach a record high offsetting the increased support activity. The 658 million bushels of 1961 corn placed under price support was about 20 million bushels more than in the previous year.

#### Oilseeds, Fats and Oils

Early August indications point to new record large supplies of edible fats, oils, and oilseeds in the United States during the 1962-63 marketing year, beginning October 1. Prospects are that they will total around 16.8 billion pounds (oil equivalent), nearly 6 percent more than the 1961-62 peak.

Beginning stocks of edible fats and oils (including the oil equivalent of soybeans) are likely to be around 2.0 billion pounds, up about 50 percent from October 1, 1961. Most of the increase in starting stocks will be in soybeans, although butter stocks will be up sharply. Little change from the year-earlier record stock position is in prospect for edible vegetable oil, but less lard will be on hand.

Output of lard and butter in the 1962-63 marketing year is expected to be about the same as in 1961-62, where as cottonseed oil output will be up slightly. Soybean supplies will reach a new high due to the prospective increase in carryover stocks next October 1 and the expected record 1962 crop.

Domestic disappearance of edible fats and oils probably will rise in 1962-63 as it did a year earlier, about in line with the growth in population. Since the population increase will require only 15 percent of the increase in supply, quantities of edible vegetable oils (cottonseed and soybean), lard, butter, and soybeans available for export in 1962-63 are likely to be up sharply from the 4.3 billion pounds actually exported in the marketing year just ending.

The export outlook for edible fats and oils in the 1962-63 marketing year is favorable. Soybean exports are expected to set a new record and edible vegetable oil shipments probably will equal or possibly exceed slightly the 1961-62 total of 1.9 billion pounds. Exports under Government programs continue to comprise a major share of the total. While preliminary indications are that the growing foreign demand probably will absorb a good portion of the increased 1962-63 supplies of U. S. edible fats and oils, some further buildup of ending stocks likely will occur on September 30, 1963, due to a larger carryover of soybeans.

U. S. supplies of soybeans during the marketing year beginning October 1, 1962, are estimated at a record 758 million bushels, up 59 million from the previous year. The increase is attributed primarily to larger beginning stocks, which are now placed at 55 million bushels (40 million owned by CCC) compared with 6 million on October 1, 1961. Based on August 1 indications, the 1962 soybean crop is estimated at 703 million bushels compared with last year's record 693 million. Soybean acreage for beans in 1962 is up 2 percent but yield expectations are about the same as last year's record high.

Prices to soybean growers during the heavy harvesting season this fall probably will average about 5 cents below the national support price of \$2.25 per bushel. Last October-December, prices for the 1961 record bean crop averaged \$2.26 per bushel, 4 cents below the support rate. Farmers this year likely will participate heavily in the CCC support program to protect themselves against seasonally low bean prices.

Soybean crushings for oil and meal in the coming year probably will not differ much from the 435 million bushels estimated for 1961-62. Soybean exports are expected to increase 10-15 percent from the 160 million bushels in 1961-62. If seed and feed requirements are about the same as in recent years, carryover stocks of soybeans on October 1, 1963, would be in the neighborhood of 100 million bushels, the largest of record.

### Fruit

During late summer, total supplies of deciduous fruits available for fresh market shipment are expected to be about as large as a year earlier. But supplies of fresh citrus will be lighter. Grower prices for deciduous fruits for fresh use tended to average lower in early August than a year earlier, while prices for citrus fruits varied around year-earlier levels.

Growing conditions for deciduous fruit crops were generally favorable during July and early August. However, in some Northeastern and Central States, dry weather impaired development of the fruit. Total production is expected to be the same as last year but 5 percent above average. Of fruits marketed in relatively heavy volume during late summer, production of pears, grapes, and Pacific Northwest prunes is larger than last year; that of apples, peaches and plums is smaller.

Total production of almonds, filberts, pecans, and walnuts in 1962 is expected to be 30 percent below the heavy tonnage last year. Heavy decreases in almonds, pecans and filberts more than offset a large increase in walnuts.



During late summer and early fall most of the fresh market citrus fruit will come from California. As of early August, remaining supplies of California Valencia oranges and lemons were somewhat smaller than a year earlier. The California orange crop was moderately smaller than last year, and the lemon crop, though larger, was utilized more rapidly for processing. Supplies of fresh citrus fruit will again become seasonally large in October and November, as fruit from the new crops becomes available.

Early season prospects for output of canned deciduous fruits point to a 1962 pack not greatly different from the record 1961 pack. Output of dried fruits may be close to the moderate-size production last year. Stocks of Florida frozen orange concentrate from the record 1961-62 pack continue much above year-earlier levels. Retail prices have been reduced and movement into consumption channels has been up substantially. Somewhat similarly, movement of Florida canned single-strength citrus juices at reduced prices, has been up. But stocks from the increased packs also continue above year-earlier levels.

#### Commercial Vegetables for Fresh Market

During the remaining weeks of summer, supplies of fresh market vegetables will continue seasonally heavy, and prices will be at or near their seasonal lows. Aggregate supplies, excluding melons, are expected to be about the same as a year ago. Supplies of cabbage, lima beans, beets, cauliflower, escarole, onions, and green peppers promise to be larger and snap beans, cucumbers, lettuce and tomatoes about the same as those of a year earlier. Smaller production is indicated for summer eggplant, garlic, spinach, late summer carrots, celery, and sweet corn. Supplies of late summer cantaloups are expected to be slightly larger than a year earlier, but watermelons may be down slightly. Early production estimates indicate close to the same early fall celery as a year ago, but moderately less carrots and substantially less cabbage.

#### For Commercial Processing

Supplies of both canned and frozen vegetables in the 1962-63 season are expected to be slightly to moderately larger than during the previous season, with all major items in ample to heavy supply. Total carryover stocks of both canned and frozen vegetables at the beginning of the current season were larger than a year earlier, and the canned pack is expected to be larger than in the 1961-62 season.

Demand for processed vegetables is expected to continue strong during the 1962-63 marketing season. Overall prices of most canned and frozen vegetables probably will average close to those of last season.

#### Potatoes and Sweetpotatoes

Supplies of potatoes during the next 4 to 6 weeks are expected to be moderately smaller than the heavy supplies of a year earlier, and prices somewhat



higher. Late summer production is estimated at 34.6 million hundredweight--4 percent less than last season. The important fall crop is expected to be 8 percent smaller than the large crop of a year earlier, but a fifth above the recent 10-year average.

The 1962 sweetpotato crop is estimated at 16.6 million hundredweight, about a tenth larger than the 1961 crop, but moderately below average. With larger supplies available, prices to growers probably will average somewhat below those of the 1961-62 season.

### Cotton

Disappearance of cotton during the 1962-63 marketing year (August 1, 1962, through July 31, 1963) is estimated at 14.0 million bales. This is the same amount of disappearance as during 1961-62 and compares with the previous 5-year average of 14.1 million bales. An expected decline in mill consumption during 1962-63, compared with a year earlier, is likely to be offset by an increase in exports.

Consumption of cotton by domestic mills during the 1962-63 marketing year is estimated at 8.8 million bales. This is 200,000 bales less than estimated consumption in 1961-62 but 500,000 more than in 1960-61. Mill consumption for the past 5 years has averaged 8.6 million bales per year. The relatively high level of mill consumption estimated for the 1962-63 marketing year is indicated by an expected high level of economic activity and by a relatively low ratio of mill stocks to unfilled orders for cotton broadwoven goods.

U. S. exports of cotton during the 1962-63 marketing year are estimated at 5.2 million bales, up from the 5.0 million bales estimated for 1961-62. Early season estimates indicate that production of cotton in the foreign free world in 1962-63 will be greater than in the previous year. Consumption of cotton in the foreign free world, however, is expected to remain near the high level of 1961-62, and further reductions of cotton stocks in foreign free world importing countries seems unlikely during 1962-63.

The U. S. carryover of cotton on August 1 was estimated at 7.7 million bales--about 500,000 more than on August 1, 1961, when the carryover was the least since 1953. During the 1950's the carryover trended upward from a low of 2.3 million bales on August 1, 1951, to a record high of 14.5 million bales on August 1, 1956. Since the record high, the carryover has trended downward, reaching a low of 7.2 million bales on August 1, 1961.

The average spot market price for Middling 1-inch cotton in July was 33.98 cents per pound compared with 34.09 cents a month earlier and with 32.65 cents in July 1961. The average price received by farmers for upland cotton this July was 32.62 cents per pound, down slightly from the May price of 32.63 cents, but well above the July 1961 price of 31.45 cents.

Imports of cotton textiles, on a raw fiber equivalent basis, totaled 47,700 bales in June, about 6,200 bales smaller than in May but almost double imports in June, 1961. Exports of cotton textiles in June were 5,400 bales

higher than in May. June exports were about 4,900 bales less than imports. The import trade balance of 108,400 bales for the first 6 months of 1962 compares with an export trade balance of 77,400 bales for the first 6 months of 1961 and an import trade balance of 28,100 bales for the first 6 months of 1960.

Stocks of cotton held by the Commodity Credit Corporation (owned and held as collateral against outstanding price support loans) totaled about 4.7 million bales on August 3, about 3.2 million bales larger than a year earlier.

Registrations of cotton under the payment-in-kind program for export in the 1961-62 marketing year totaled 4,982,576 bales through August 3, 1962. Registrations for export during the 1962-63 marketing year through June totaled 332,076 bales as of August 3.

The 1962 cotton crop has been estimated at 15.0 million running bales (15.1 million bales of 500 pounds each). This is about 700 thousand bales, or 5 percent above the 1961 crop of 14.3 million bales. The estimated per acre yield of 461 pounds is 23 pounds above the 1961 yield and equals the second high yield in 1959. The record high yield was 466 pounds per acre in 1958.

### Tobacco

Marketings of this year's crop of flue-cured tobacco in the Georgia-Florida (type 14) markets have been under way since July 26. Through August 15, 169 million pounds were sold on type 14 markets at an average price of 57.3 cents per pound, about  $2\frac{1}{2}$  cents below the comparable figure for a year earlier. The South Carolina-Border North Carolina (type 13) markets opened August 2. About 55 million pounds had been sold on the markets by August 15 at an average of  $56\frac{1}{2}$  cents per pound. A comparable 1961 price average for type 13 markets is not available. Previously to this year, marketing of flue-cured tobacco in untied form was permitted only in type 14 markets. This year, for the first time, marketing of flue-cured tobacco of certain grades in untied form is being permitted for the first 5 days of the season in belts (including type 13) where previously tobacco was marketed only in tied form. Combining types 13 and 14 marketings through mid-August, untied tobacco has averaged  $56\frac{1}{2}$  cents per pound, 3.2 cents below the average for untied tobacco a year ago. Tied tobacco has averaged 60.8 cents, about  $3\frac{1}{2}$  cents below a year ago. Flue-cured tobacco placed under Government loan through mid-August amounted to about 3 percent of market deliveries. Auctions in the Eastern North Carolina Belt (type 12) began August 21, and in the Middle Belt (type 11b) will begin August 27. The Old Belt (type 11a) usually opens the second week of September.

As of August 1, the 1962 flue-cured crop was indicated to be 1,311 million pounds--53 million above last year's outturn. Carryover on July 1 was 2,081 million pounds--9 million less than a year earlier. The 1962-63 total supply--production plus carryover--at 3,392 million pounds is 1 percent more than for 1961-62.

Domestic use of flue-cured during the year ended June 30 declined a little from 1960-61 but was the third largest on record. During July 1961-June



1962, exports of flue-cured tobacco were 2 percent above those of 1960-61, and were the third largest in 15 years.

The August 1 indication for the burley tobacco crop--the second ranking cigarette tobacco--was nearly 5 percent above last year's harvestings. The 1962 Maryland crop was indicated, as of August 1, to be 8 percent higher than the current estimate for the 1961 crop.

Indicated production of fire-cured tobacco and that of dark air-cured (including sun-cured) are both up 3 percent from last year.

The August 1 indicated production of cigar filler tobacco is about a tenth less than harvested in 1961. This year's Connecticut Valley binder output is indicated to be down 1 percent from 1961, and the crop may be the smallest on record. Output of Wisconsin binder tobacco is indicated to be 7 percent less than last year. The Connecticut Valley and Georgia-Florida production of shade-grown wrapper is also likely to be 7 percent lower than in 1961.

In the fiscal year ended June 30, 1962, cigarette output was 530 billion, 2 percent above a year earlier and a new high. Production of smoking tobacco, at 71½ million pounds, and that of snuff, at close to 33 million declined 4½ percent and 3 percent, respectively. Output of chewing tobacco, 64¾ million pounds, was only slightly below the previous year. The 1961-62 shipments of cigars and cigarillos from U. S. and Puerto Rico factories totaled 7.2 billion--4 percent above fiscal 1960-61 and above any previous fiscal or calendar year since the early 1920's.

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:       The next issue of the Demand and Price  
:       Situation is scheduled for release  
:       October 3, 1962.  
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